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**PACIFIC TELESIS**
Group-Washington

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DEC - 4 1992

Federal Communications Commission
Office of the Secretary

December 4, 1992

Donna Searcy
Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

Dear Ms. Searcy:

re: CC Docket No. 92-222

On behalf of **Pacific Bell and Nevada Bell**, please find enclosed an original and six copies of their "*Comments*" in the above proceeding.

Please stamp and return one copy to confirm your receipt. Please call me if you have any questions or need additional information.

Sincerely,

Jo Ann Goddard

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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| In the Matter of<br><br>Amendment of the Part 69 Allocation of General Support Facility Costs | )<br>)<br>)<br>)<br>) | CC Docket No. 92-222 |

**COMMENTS OF PACIFIC BELL AND NEVADA BELL**

Pacific Bell and Nevada Bell (the "Pacific Companies") hereby comment on the notice of proposed rulemaking with respect to the allocation of General Support Facilities ("GSF") released on October 19, 1992 in the above-captioned proceeding.[1]

Currently, Section 69.307[2] of the Commission's Rules apportions GSF investment among categories based on investment in central office equipment, information origination/termination equipment, and cable and wire facilities, excluding Category 1.3, the investment in subscriber lines (common lines). The Commission proposes removing the exclusion and permitting GSF investment to be allocated to Category 1.3.

The current rule results in misallocation of GSF investment. By excluding the common line investment in the allocation of GSF, a portion of land and support costs allocated

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1 In the Matter of Expanded Interconnection With Local Telephone Company Facilities Amendment of the Part 69 Allocation of General Support Facility Costs, CC Docket Nos. 91-141 and 92-222, Report and Order and Notice of Proposed Rulemaking, para. 269, released October 19, 1992 ("NPRM").

2 47 CFR Section 69.307.

to the interstate jurisdiction for common line is allocated to special access, rather than being placed in common line where it logically belongs.

The Pacific Companies strongly support the Commission's proposal. With increasing competition in the provision of exchange access services, it is critical that non-economic cost allocations be eliminated as much as possible. The Commission's proposal is a step in that direction. The elimination of the misallocation of GSF to non-common line access categories will allow local exchange companies to price their services in a manner that is more cost-causative.

In its comments in Docket No. 91-141, the Pacific Companies raised the issue that there is also a misallocation of central office equipment ("COE") maintenance expense among access services.[3] The Commission responded that it viewed any overallocation of central office equipment to special access to be *de minimus*.[4] We estimate that the overallocation overstates special access costs by approximately 2%. In a competitive environment, this is not *de minimus*. Accordingly, we continue to support a Part 36 and a Part 69 rule change to allocate central office equipment maintenance expense on a primary account basis.

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3 Comments of Pacific Bell and Nevada Bell, CC Docket No. 91-141 filed on August 6, 1991, Exhibit B, p. 4.

4 *NPRM*, n.336.

It is critical that the Commission treat any changes in Part 69 as exogenous under the Part 61 price cap rules. Otherwise the price cap carriers will not have the opportunity to adjust their rates to reflect the reallocation.

Exogenous costs are defined as "costs that are triggered by administrative, legislative or judicial action beyond the control of the carriers."[5] Although Part 69 cost allocation changes are not specifically included in the listing of exogenous changes in Part 61.45(d)(1),[6] the change fits squarely within the definition of exogenous costs and the Rule explicitly allows the Commission to recognize additional exogenous costs changes by order. If the Commission fails to treat this change as exogenous, the purpose for the change will be largely thwarted since price cap carriers will be unable to adjust their rates, and switched transport and special access rates will continue to be burdened with more than their share of costs.

The Commission also requested comment on how to calculate a GSF contribution charge in the event that the proposal to reallocate GSF costs is not adopted.[7] The Pacific Companies strongly prefer the proposed reallocation to a contribution charge. Correcting the GSF cost allocation and adjusting special access rates will send correct pricing signals

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5 Policy and Rules Concerning Rates for Dominant Carriers, CC Docket No. 87-313, Second Report and Order, 5 FCC Rcd 6786, 6807 (1990).

6 47 CFR Section 61.45(d)(1).

7 NPRM, para. 269.

which furthers the Commission's goals. However, if the Commission decides to adopt a contribution charge instead of the proposed rule change, there are a number of ways the Commission can allow these costs to be recovered, pending re-evaluation of its public policy goals and access restructure.

The first approach would be to develop a special access contribution charge per voice grade equivalency. This would be based on the GSF cost overallocated to special access divided by the total voice grade equivalent special access channels. The charge would be assessed on all expanded interconnectors for special access and the LECs' own competing special access services on a voice grade equivalency basis.

A second approach would be to reallocate GSF costs to the appropriate access categories. Since the majority of these costs will be reallocated to common line, the Commission could create a contribution subelement of the common line basket to recover all of these costs.

The third approach would be for the Commission to establish separate contribution subelements in each access category containing inappropriate GSF costs. This method would identify existing misallocations within the current access categories. It would accommodate further activity in Dockets 91-213, 91-141, and ultimately the restructure of access.

With any of these approaches a contribution charge must treat all customers and competitors equally.

While the Pacific Companies strongly support the Commission's proposal to reallocate GSF costs, the Pacific

Companies believe that it is only one step in the right direction. Interim piecemeal changes in the allocation of costs may solve some immediate problems at the cost of creating other problems. For example, the proposed reallocation of GSF costs will exert pressure on the common line category. Thus, there may be a need to look at common line cost allocation and rate recovery again. A long-term approach in an access restructure proceeding for the recovery of the GSF costs discussed in this docket would be to increase the SLC or impose the contribution element based on presubscribed lines. Consequently, it is imperative that the Commission initiate a comprehensive restructure of access charges in the near future so that all issues associated with access charges can be evaluated together.

In conclusion, for the foregoing reasons, the Pacific Companies support the Commission's proposed rule to reallocate GSF investment.

Respectfully submitted,

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Date: December 4, 1992